February 27, 2002

Meabh Purcell, Esq.
LeBoeuf, Lamb, Greene & MacRae
260 Franklin Street
Boston, Massachusetts 02110-3173

Re: Fitchburg Gas and Electric Light Company, D.T.E. 98-48/49

Dear Ms. Purcell:

On June 18, 2001, Fitchburg Gas and Electric Light Company ("Fitchburg" or "Company"), filed an Offer of Settlement[1] ("June Settlement") with the Department of Telecommunications and Energy ("Department") regarding the Company's five-year energy efficiency plan for the period 1998-2002. On August 17, 2001, the Department approved the June Settlement. Fitchburg Gas and Electric Light Company, D.T.E. 98-48/49 Phase II (2001). The June Settlement provided that Fitchburg would earn a performance incentive for successful energy efficiency activities during program year 2000. D.T.E. 98-48/49 Phase II at 4. On January 17, 2002, Fitchburg submitted a filing ("January Filing")[2] to the Department

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[1] The parties to the settlement were: Fitchburg, the Low-Income Energy Affordability Network, and the Northeast Energy Efficiency Council.

[2] The January Filing is described as an Offer of Settlement. The parties to the June Settlement were also signatories to the January Filing. However, the Department will

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with a comparison of Fitchburg's fifteen performance goals to National Grid's performance goals for their respective year 2000 energy efficiency programs (January Filing, App. A). Fitchburg also claimed a performance incentive earned for its 2000 programs, based on those goals (January Filing, Att. 1). On February 13, 2002, the Division of Energy Resources ("DOER")[3] notified the Department of its support for Fitchburg's January Filing.

Fitchburg claims that it earned a performance incentive for its 2000 energy efficiency programs in the amount of $127,251, as a result of achieving an average of 102.07 percent of its overall design level incentive goals (January Filing, Att. 1, at 2).[4] To support the collection of its proposed performance incentive, Fitchburg compares the performance of its energy efficiency programs to National Grid's[5] programs for the same period (January Filing, App. A). Fitchburg states that its performance incentive is a smaller factor of its expenditures than National Grid's (i.e., 9.57 percent versus 11.51 percent) (January Filing, Att. 1, at 2). Specifically, Fitchburg compares its performance to 15 goals[6] pertaining to its seven energy efficiency programs (e.g., the comprehensive energy efficiency program for businesses; the

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treat the January Filing as a petition because the Settlement does not distinguish between DOER's statutory duty (i.e., to ensure that performance goals are consistent with statewide energy efficiency goals) and the Department's regulatory duty (i.e., to evaluate a company's performance upon DOER's approval of the company's goals). Performance goals may reasonably be the subject of a settlement, but actual performance is a matter of fact and statistical analysis. As such, performance incentives should not be subject to a settlement.

3 DOER oversees Massachusetts utility companies' energy efficiency programs and seeks to achieve a variety of goals for those programs. G.L. c. 25A, § 11G.

4 A distribution company that does not achieve at least 75 percent of its design performance level does not receive a shareholder incentive, while a distribution company whose performance level exceeds the 75 percent threshold receives a shareholder incentive that varies on its actual performance level, up to 125 percent of the design performance level. Order Promulgating Final Guidelines, D.T.E. 98-100 (2000): Guidelines for the Methods and Procedures for the Evaluation and Approval of Energy Efficiency Programs, § 5.

5 Fourteen of Fitchburg's goals are consistent with those of National Grid (January Filing, App. A).

6 Fitchburg states that its Company-specific goals for its 2000 energy efficiency programs were calculated by dividing 1999 program results by 1999 expenditures, then multiplying that ratio by 2000 program budgets (January Filing, App. A at 2). For jointly-implemented programs, Fitchburg used the same goals as National Grid (id.).

joint residential Energy Star appliance program; the joint residential low-income efficiency program; and the small commercial and industrial ("C&I") program) (January Filing, App. A, Att. 1).

Fitchburg states that it earned various monetary incentives pursuant to fourteen of its 15 goals, based on exceeding six goals and meeting six goals[7] (id.). For example, Fitchburg (1) installed equipment to save 2,729 megawatt-hours ("MWH") per year in its comprehensive energy efficiency program, below its goal of 2,881 MWH, to earn $65,221; (2) installed equipment to save 273 MWH per year in its small C&I program, above its goal of 198 MWH, to earn $18,850; (3) installed equipment to save 231 MWH per year in its residential efficiency program, above its goal of 76 MWH, to earn $14,007; (4) participated in a state-wide program that increased the market share of efficient front-loading clothes washers to 21 percent, above the goal of 20 percent, to earn $4,790; and (5) working with other Massachusetts utilities, induced a manufacturer to introduce dimmable/recessed can compact fluorescent lights for homes, meeting the goal exactly to earn $1,453 (id.).

For distribution companies to earn incentives for achieving savings from successful energy efficiency programs, the Department requires that those savings estimates must be reviewable, appropriate, and reliable. Massachusetts Electric Company, D.P.U. 92-217-B at 6-7 (1994). Moreover, the Department requires that (1) the expected benefits of the savings achieved by a company's energy efficiency programs exceed the costs and (2) programs that fail to achieve this standard be modified or discontinued. New Electric Generation Qualifying Facilities, D.P.U. 86-36-F at 7 (1988); Order Promulgating Final Guidelines, D.T.E. 98-100 (2000): Guidelines for the Methods and Procedures for the Evaluation and Approval of Energy Efficiency Programs, §§ 3.5, 4.2.2(a) ("D.T.E. Guidelines"). The Department has allowed companies to earn incentives for meeting performance goals that make programs cost-effective. Massachusetts Electric Company, D.P.U. 89-194/195, at 158-159, 175-176 (1990); Order Promulgating Proposed Guidelines, D.T.E. 98-100, at 33 (1999). The Department has standardized the procedures by which distribution companies calculate shareholder incentives for meeting the performance goals. D.T.E. 98-100 Guidelines, § 5.

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7 Fitchburg did not meet three of its goals (January Filing, Att. 1, at 2).

Based on the Company's January Filing, the Department finds that Fitchburg's evaluation of savings achieved is reviewable, appropriate, and reliable. Fitchburg has adequately demonstrated that it has met its performance goals, based on savings achieved, to the extent claimed (January Filing, App. A, Att. 1). Moreover, we find that in meeting Fitchburg's performance goals, the Company has conducted its programs cost-effectively (id.). Finally, Fitchburg has followed the Department's procedures in calculating its performance incentives for its year 2000 energy efficiency programs (id.). D.T.E. Guidelines, § 5. Accordingly, the Department approves Fitchburg's proposed performance incentive.

Sincerely,

James Connelly, Chairman

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner